

Message Text

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ACTION SS-25

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TO SECSTATE WASHDC PRIORITY 4727

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C O N F I D E N T I A L KUWAIT 0816

EXDIS

E.O. 11652: GDS

TAGS: ENRG, IT

SUBJ: ITALIAN INTEREST IN BECHTEL SAUDI PIPELINE

REF: STATE 31339, 75 KUWAIT 5185

1. WE DISCUSSED ITALIAN INTEREST IN SAUDI PIPELINE WITH THOMSON AGAIN FEBRUARY 14. IN GENERAL HE REITERATED REMARKS CONTAINED IN KUWAIT REFTEL. HOWEVER, HIS OVERALL TENOR WAS MORE EQUIVOCAL THAN PREVIOUSLY. HE SAID THAT SAUDIS ARE FINDING OVERALL PROJECT SO MASSIVE THAT MANY PRELIMINARY DECISIONS ARE BEING FOUND TO BE NECESSARY WITH RESULT THAT THOMSON NOW BELIEVES FORMAL SELECTION OF BECHTEL, ASSUMING COMPANY WINS CONTRACT, IS UNLIKELY UNTIL LATE 1976 AT EARLIEST. HE ALSO STRESSED THAT BECHTEL AS PRIVATE COMPANY CAN SELECT ITALIAN SUB-CONTRACTORS ONLY IF THEY ARE TRULY QUALIFIED IN COMPARISON WITH OTHER FIRMS COMPETING WITH THEM. FYI BECHTEL HAS BEEN INVOLVED WITH ITALIANS, PRIMARILY MONTUBI, IN SUMED PIPELINE WITH, WE GATHER, LESS THAN FULLY SATISFACTORY RESULTS. END FYI. THOMSON DID SAY THAT HE UNDERSTOOD DEPARTMENT'S CONCERNS AND WAS WELL AWARE OF HIGH-LEVEL INTEREST IN MATTER. HE PROMISED TO BE AS HELPFUL AS POSSIBLE AND AFFIRMED HIS WILLINGNESS TO CONSULT CLOSELY WITH US ON SAUDI PROJECT AS IT DEVELOPS.

2. COMMENT: WE THINK THOMSON FULLY PREPARED TO PROVIDE INFORMATION ON PROJECT WHICH COULD BE HELPFUL TO ITALIANS. HOWEVER, BASED ON HIS LATEST REMARKS, IT SEEMS DOUBTFUL THAT BECHTEL
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WILL BE WILLING TO SELECT ITALIANS OVER MORE QUALIFIED FIRMS.

IN ANY CASE, IT NOW APPEARS THAT TIME FOR AWARD OF PRIME CONTRACT
AND FOR SELECTION OF SUB-CONTRACTORS WILL BE CONSIDERABLY LATER
THAN DEPARTMENT MAY HAVE THOUGHT WHEN IT FIRST DECIDED TO APPROACH
BECHTEL. IN LIGHT OF THESE FACTORS, DEPARTMENT MAY WISH TO CON-
SIDER DIRECT USG APPROACH TO SAG RE MATTER.

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